

**Statement by Ann Jorgensen  
Member of the Board  
Farm Credit Administration  
Committee on Agriculture  
United States House of Representatives  
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Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before the House Agriculture Committee today, and to submit the following statement on National Charters for the hearing record.

Based on the extensive information I have to date, I strongly support the removal of geographical restrictions within the Farm Credit System (FCS/System). And, I believe the Farm Credit Administration (FCA) has the existing statutory authority to issue and amend charters including granting nationwide charters.

Mr. Chairman, my decision to support the removal of these artificial boundaries did not come easily or quickly. Since I came to FCA, more than three and one-half years ago, I have studied this issue and listened to and reviewed the input from Congress, farmers and ranchers, the System, various banking representatives, industry experts, and other interested parties. I highly value and respect this input. While I remain open to options, given what I have learned thus far, I think this initiative is a necessary step in maintaining an adequate and viable Farm Credit System in good times and bad for today's farmers, ranchers and rural America, as well as for future generations.

I believe the FCS, as a Government Sponsored Enterprise (GSE), fulfills a vital need in maintaining a competitive agricultural credit market. The System ensures eligible and creditworthy borrowers access to the best competitive rates possible for financing as well as a wide array of services.

Agriculture and the financial services industries are changing rapidly—driven by dramatic changes in technology, business structures, and the markets. There is no question this evolution is occurring and it is occurring quickly. Farmers and ranchers are responding and transforming their operations, as are the financial institutions. Farmers and ranchers and rural areas should have the same opportunities as the rest of America to access modern financial services, and the FCS must be allowed to adapt to meet these needs.

As financial institutions transform themselves, e-commerce will play an ever-increasing role. National Charters will allow the FCS to participate in this revolution. With nationwide charters, farmers and ranchers will be able to conduct business over the Internet and choose to borrow from an institution where cost structures, business philosophy, products and System institution expertise best meet their individual needs. I believe the demand to conduct business over the Internet from the agriculture sector will continue to increase rapidly. If the FCS is to remain an efficient source of credit for agriculture, nationwide charters are critical to the associations' ability to meet their customers' demands.

As a regulator, I view the safety and soundness of the System to be my most fundamental responsibility. I want to emphasize that National Charters **will not** provide new or additional lending authorities to the FCS. However, they will allow System institutions to better manage risks. The FCS associations should be given greater opportunity to diversify commodity and geographical concentration risks, which will in turn, strengthen the safety and soundness of the System.

Safety and soundness is also improved through the FCA Board's recently proposed rule for National Charter applications. FCA is enhancing its due diligence process by establishing evaluative criteria and standards to review National Charter applications.

Associations will be required to revise their business plans before they access new markets. They will be required to adopt new goals and strategies. They must have demonstrated strong risk bearing capacities-both from a financial and management standpoint. The FCA Office of Examination will review these plans and give input prior to the FCA Board's decision on each charter application. During the examination process, staff will also evaluate whether the association has complied with their previously stated goals.

In addition to safety and soundness, it is important that the System meets its public policy mission. Before granting a National Charter, FCA will require an institution to create a plan to adequately serve eligible and creditworthy customers in its local service area (LSA). I do not believe associations will pursue unlimited growth outside of their LSA in part due to regulatory constraints on capital. Associations are currently owned and controlled by local farmers and ranchers; therefore, their future lending plans will also be controlled by the local stockholders. Furthermore, the rule requires associations with national charters to disclose in its annual report information about the volume of loans, leases and related services both inside and outside its LSA.

As part of its public policy mission, associations must also demonstrate that they have implemented a program for serving young, beginning and small farmers.

I do want to add that I feel strongly that associations know their customers' needs best and they should build their plans based on those needs. However, let me assure you FCA staff will continue to review FCS association's plans before and during the examination process to determine whether they have met their stated goals within the parameters set by FCA and within statutory limits. From my personal observation since joining FCA, I can attest to the fact that the agency is vigilant in its examination process.

Mr. Chairman, in conclusion, I firmly believe removing geographical restrictions to allow our farmers and ranchers to choose the institution with which they conduct business is the right thing to do, especially given the rapid changes in e-commerce. Removing these geographical restrictions also will help ensure that the Farm Credit System remains viable to meet its statutory objective to provide adequate, sound and constructive credit to eligible and creditworthy farmers and ranchers in good times and bad. And, I believe FCA is taking the appropriate steps to help ensure the continuation of a safe and sound System while enhancing its public policy mission.

Again, thank you for allowing me to submit this statement for the record.

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